

Executive summary

This report is based on research by Incomes Data Research (IDR), as commissioned by the trade union UNISON, to compare pay for each of the NHS salary points on bands 1 to 4, in both England and Northern Ireland on the one hand, and Wales on the other, with pay for jobs at similar levels of responsibility and skill across 1) the whole economy and 2) the private sector. The organisations that contribute to our comparator data in the areas under consideration include a range of large organisations across the private sector, comprising, for example, household names in retail, catering and logistics.

We have also looked at how the labour market has changed for roles at this level, and how this is leading employers in the private sector to improve pay and conditions, in many cases significantly, thereby presenting an additional risk to recruitment and retention of NHS staff. Finally, in the context of a sharply rising cost of living, the appendix contains a discussion of the relationship between inflation and public sector, mainly in reference to the treatment of this issue in the Treasury's latest economic evidence to the Review Bodies.

Pay comparisons

- While NHS salaries for the lowest bands 1 and 2 in England and Northern Ireland (NI) are ahead of pay for jobs at comparable levels elsewhere (though the forthcoming uplift in the statutory floor could alter this – see below), at bands 3 and 4 the picture changes.
- This is particularly the case for band 4, with the entry point here nearly 8% behind median pay for comparable roles across the whole economy, while the top point is only marginally ahead (just below 2%) of this comparator data.
- NHS pay in England and NI lags further behind that in the private sector. Here, NHS band 4 salaries are behind the median at both the lower and top points by nearly 10% and 1% respectively, while the entry point for band 3 is behind the comparator data by just over 6% (the top point is marginally ahead).
- We also conducted comparisons with the upper quartile of the wider market. This is because in a faster-moving labour market like that currently, those organisations that pay at or above the upper quartile are, by definition, setting the pace on pay, and it is logical for the NHS to check how it fares against them.

- In relation to the whole economy, pay for NHS bands 1 to 4 in England and NI is mostly behind the upper quartile for pay points at each of these levels.
- The NHS falls even further behind when NHS England and NI pay points are compared with upper quartile figures for the private sector alone: none of the NHS pay points are ahead of the upper quartile figures for the comparator groups and only the top point of band 2 comes close to the upper quartile for private sector jobs at that level (0.31% behind the market comparison figure).
- For NHS Wales, band 1 and band 2 salaries are ahead of the market median by 4.03% and 2.5% respectively – a greater lead than for England, due to the Welsh Government’s implementation of a ‘Living Wage top-up’ for NHS staff on band 1 and the entry of band 2 (though as in England and NI, the forthcoming increase in the statutory floor is likely to reduce this lead, unless NHS pay is also raised).
- The NHS Wales band 2 minimum is 3.3% ahead of the median for the private sector – a wider gap than that with the whole economy comparator and also wider than the respective private sector comparison for NHS England and NI, which showed a smaller lead of 2.29%.
- Comparisons of these points in Wales with the upper quartiles of our comparator groups found that pay for band 1 in NHS Wales is 2.3% ahead of the upper quartile at this level for our whole economy sample.
- However, for NHS Wales at the minimum of band 2, pay is behind the upper quartiles of our comparator groups (by 4.46%). When compared with the private sector only, this gap widens to a deficit of -6.25%.

Comparisons with low pay measures

- If no pay increase is applied by 1 April 2022, when the uprated National Living Wage (NLW) comes into effect, the lowest rate for NHS staff in England and NI will be 1p behind the statutory floor of £9.50.
- The variance with the voluntary or real living wage, estimated to be worth £9.90 outside London, is greater still, at 41p or 4% for band 1/band 2 minimum.
- In Wales, the lowest pay point in the NHS is ahead of the current NLW by 67p or 7.5%. However, the gap will narrow to just 8p or 0.8% from 1 April 2022 if no new pay increase has been awarded by then.

Labour market pressures

- We have conducted these comparisons against the backdrop of a much tighter labour market than earlier in 2021, and this is now feeding through into private sector pay decisions (see below).
- The improvements to basic pay in the private sector at levels analogous to NHS bands 1 to 4 mean that the former is now presenting a much greater recruitment and retention challenge to the NHS than previously.

Basic pay awards

- Our monitoring of basic pay awards found that the median pay increase across the whole economy for the whole of 2021 was 2.0%, with an interquartile range of 1.0% to 2.5%. The median increase in the private sector was also 2.0%, whilst that for the public sector was 1.0%.
- By comparison, the pay increase for NHS England was above this at 3.0%, while the increase for NHS Scotland (brought forward to December 2020) was 4.0%.
- Looking at the data on a rolling three-month basis, there has been a steady rise in the whole-economy median since May. In the most recent period, for the three months to December 2021, the median pay award has risen to 3.0%.
- Closer analysis of our data on pay awards in certain key industries (financial services, retail, road transport and distribution, food, drink and tobacco manufacturing and engineering) for the whole of 2021 shows considerable variation in interquartile ranges for these subsectors.
- In particular, the upper quartiles for retail and road transport/distribution (and engineering) are higher than those for the other sectors, at 3.0%. Given the context for the NHS England pay rise in 2021, these figures show that the increase for health service staff was in line with those received by many workers in key parts of the private sector.
- Differences in pay award outcomes can be seen when the first half of 2021 is compared with the second half. The main change is that the proportion of awards worth 3% or more almost doubled in the second six months compared with the first half of the year. Meanwhile the proportion of awards between 1.0% and 1.99% halved and the proportion of pay freezes has also fallen.

- An early look at pay awards effective in 2022 suggests that the rise in the median is likely to continue. Analysis of deals in the current year shows that the median pay award across the economy is 3.0% (predominantly reflecting the picture in the private sector). This is higher than the outcome for 2021 and is an indication that a tighter labour market rising inflation is likely to affect 2022 awards.

Private sector pay initiatives

- Since the economy has reopened there has been growing pressure on employers to remain competitive in the recruitment market and to retain existing staff – both through basic pay but also uplifts in premiums and the introduction of signing-on bonuses.
- In the private sector we have observed a number of reactions from employers in 2021 regarding pay for roles with similar skills and responsibility to those on NHS pay bands 1 to 4. We detail these in the report.